

TOWNSHIP OF PARIS
HURON COUNTY, MICHIGAN

FINANCIAL REPORT
YEAR ENDED MARCH 31, 2008

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INDEPENDENT AUDITORS' REPORT

To the Township Board
Township of Paris
Huron County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Paris, Huron County, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Township of Paris, Huron County, Michigan. Our responsibility is to express opinions on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not prepared their discussion and analysis information for the Township of Paris, Huron County, Michigan. This discussion is required by U.S. generally accepted accounting principles as supplementary information.

In our opinion, except for the omission of management's discussion and analysis as discussed in the previous paragraph, which results in an incomplete presentation, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Township of Paris, Huron County, Michigan, as of March 31, 2008, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison on pages 16 and 17 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hyzer, Hill, Hyslop & Co P.C.

June 18, 2008

BASIC FINANCIAL STATEMENTS

Township of Paris, Michigan**Statement of Net Assets
March 31, 2008**

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents, unrestricted	\$ 259,310
Receivables, unrestricted - net of allowance	8,656
Due from other funds	562
Capital assets, net	<u>171,130</u>
 Total assets	 439,658
 Liabilities	
Accounts payable	-
Long term debt:	
Due within one year	11,567
Due after one year	<u>54,637</u>
 Total liabilities	 66,204
 Net Assets	
Investment in capital assets, net	104,926
Unrestricted	<u>268,528</u>
 Total net assets	 <u><u>\$ 373,454</u></u>

The notes to financial statements are an integral part of this statement.

Township of Paris, Michigan

**Statement of Activities
For the Year Ended March 31, 2008**

Functions/Programs	Expenses	Program Revenues		Net Revenue
		Charges for Services	Operating Grants and Contributions	(Expense) and Change in Fund Balance
<u>Governmental Activities</u>				
Primary Government				
Governmental activities:				
General government	\$ 43,248	\$ -	\$ -	\$ (43,248)
Public safety	30,230	4,875	-	(25,355)
Public works	46,431	-	-	(46,431)
Health and welfare	3,342			(3,342)
Interest on long term debt	4,102	-	-	(4,102)
Total governmental activities	127,353	4,875	-	(122,478)
General revenue:				
Property taxes				113,307
Licenses and permits				285
State sources				40,687
Unrestricted investment income				8,775
Miscellaneous revenue				700
Total general revenue				163,754
Change in net assets				41,276
Net assets, beginning of year				332,178
Net assets, end of year				\$ 373,454

The notes to financial statements are an integral part of this statement.

Combined Balance Sheet - All Fund Types
March 31, 2008

	Governmental Fund Types	
	General Fund	Totals
Assets		
Assets		
Cash and cash equivalents	\$ 259,310	\$ 259,310
Receivables:		
Due from other governments	5,984	5,984
Taxes	2,672	2,672
Due from other funds	562	562
Total assets	<u>\$ 268,528</u>	<u>\$ 268,528</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ -	\$ -
Due to other funds	-	-
Total liabilities	-	-
Fund Balances		
Restricted	93,878	93,878
Unrestricted	174,650	174,650
Total fund balances	<u>268,528</u>	<u>268,528</u>
Total liabilities and fund balances	<u>\$ 268,528</u>	<u>\$ 268,528</u>

**RECONCILIATION OF GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**

Total governmental fund balance	\$ 268,528
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are therefore not reported as assets in governmental funds	171,130
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds	(66,204)
Total net assets	<u>\$ 373,454</u>

The notes to financial statements are an integral part of this statement.

Township of Paris, Michigan**Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Fund Types
For the Year Ended March 31, 2008**

	General Fund	Total
Revenue		
Property taxes	\$ 113,307	\$ 113,307
Licenses and permits	285	285
State sources	40,687	40,687
Charges for services	4,875	4,875
Interest	8,775	8,775
Other	700	700
Total revenue	168,629	168,629
Expenditures		
General government	40,527	40,527
Public safety	30,230	30,230
Public works	55,813	55,813
Health and welfare	3,342	3,342
Total expenditures	129,912	129,912
Excess of revenue over expenditures	38,717	38,717
Fund balances, beginning of year	229,811	229,811
Fund balances, end of year	<u>\$ 268,528</u>	<u>\$ 268,528</u>

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

Net change in fund balance - governmental fund	\$ 38,717
Amounts reported for governmental activities in the statement of of activities are different because:	
Governmental funds report capital outlays as expenditures, however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation expense.	
Capital Outlay	935
Depreciation	(9,942)
Repayment of drain obligations is an expenditure in governmental funds but reduces long-term liabilities in the statement of net assets	11,566
Change in net assets of governmental activities	<u>\$ 41,276</u>

The notes to financial statements are an integral part of this statement.

**Fiduciary Funds
Statement of Net Assets
March 31, 2008**

Assets

Cash and cash equivalents	<u>\$ 562</u>
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Liabilities

Accounts payable	<u>\$ 562</u>
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NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Paris Township of Paris conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of significant accounting policies used by Paris Township:

A. Reporting Entity

Paris Township (the "Township") was organized in 1862 and covers an area of approximately 18 square miles. The township is governed by an elected five-member board. The township provides services to its various residents in many areas, including general government, public safety, public works and recreation and culture. As required by GAAP, these financial statements present the Township, which has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes include amounts levied against all real property and tangible personal property located in the Township. Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the County tax rolls. For the current year, the taxable value for properties located within the Township was \$25,871,254. The tax rates were 1.0906 mills for operations and 2.9670 mills for roads.

General Fund - This fund is used to account for all financial resources. Revenues are primarily derived from property taxes, state aid, and charges for services to provide for the administration and operation of: (1) general township governmental departments, boards and commissions; (2) public safety; (3) public works; and (4) recreation and culture. The fund includes the general operating expenditures of the Township

Additionally, the government reports the following fund types:

Current Tax Collection Fund – This fund is an agency fund used to account for resources held by the Township in a purely custodial capacity. Money in this fund is from current tax and special assessment collections. Timely distribution to the appropriate fund and local unit must be made in accordance with Section 43 of the General Property Tax Act.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Amounts reported as program revenue include charges to customers or applicants for goods, services or privileges provided. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D. Assets, Liabilities, and Net Assets

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds”. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds”.

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Capital Assets – Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	15 to 40 years
Office equipment and furniture	5 to 10 years
Drains	25 years

Long-Term Obligations – In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

NOTE 2. LEGAL COMPLIANCE

The Township Clerk prepares and submits the annual budget to the Township Board in March of each year. The Board holds a budget hearing at which time the budget is adopted by resolution. The Board adopts the budget to the line item level and amends the budget late in the fiscal year. The budget is prepared using the cash basis method of accounting whereby revenues are recorded when received and expenditures are recorded when paid.

The approved budget of the Township for the budgetary fund was adopted to the line item level.

Excess of Expenditures Over Appropriations in Budgeted Funds

The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended (MCL 141.421 et seq.), provides that a local unit shall not incur expenditures in excess of the amount appropriated. The Township's actual expenditures and budgeted expenditures for the funds budgeted have been shown on a functional basis.

During the year, the township incurred no expenditures in the General Fund which were in excess of the amounts appropriated.

NOTE 3. DEPOSITS AND INVESTMENTS

The Township's deposits and investments are presented on the balance sheet under the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents	<u>\$ 259,310</u>	<u>\$ 562</u>	<u>\$ 259,872</u>

The breakdown between deposits is as follows:

Bank Deposits (Checking Accounts, Savings Accounts, and Certificates of Deposit)	<u>\$ 259,872</u>
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Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations repurchase agreements; bankers' acceptance of United States banks; commercial paper and rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township has designated three banks for the deposit of Township funds. The investment policy adopted by the Township Board in accordance with Public Act 196 of 1997, has authorized investments in certificate of deposit, savings accounts, local government investment pools organized under PA 121, MCL 129.141 to 129.50, deposit accounts, or depository receipts of a bank but only if the bank, savings and loan association, or credit union meets all criteria as a depository of public funds contained in state law.

The Township's deposits and investments are in accordance with statutory authority.

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

Insured (FDIC)	\$ 234,406
Uninsured and Uncollateralized	<u>38,699</u>
Totals	<u><u>\$ 273,105</u></u>

Investment and Deposit Risk

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. The Township does not have a deposit policy for custodial risk. At year end, the Township had \$38,699 of bank deposits (certificates of deposit, checking and savings accounts) that were potentially uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, that the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end, the Township had no investment activity.

Interest Rate Risk. Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. State law limits the allowable investments and the maturities of some of the allowable investments. The Township's current investments have no potential interest rate risk.

NOTE 4. CAPITAL ASSETS AND LONG-TERM DEBTCapital Assets

A summary of capital assets at March 31, 2008, is as follows:

	Balance April 1, 2007	Increases	Decreases	Balance March 31, 2008
Capital assets not being depreciated				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Capital assets being depreciated				
Buildings	114,699	-	-	114,699
Drains	157,159	-	-	157,159
Equipment	6,680	935	-	7,615
	<u>278,538</u>	<u>935</u>	<u>-</u>	<u>279,473</u>
Less: Accumulated depreciation				
Buildings	779	3,118	-	3,897
Drains	99,162	6,286	-	105,448
Equipment	3,460	538	-	3,998
	<u>103,401</u>	<u>9,942</u>	<u>-</u>	<u>113,343</u>
Total Capital assets being depreciated net	<u>175,137</u>	<u>(9,007)</u>	<u>-</u>	<u>166,130</u>
Governmental activity capital Assets - Net	<u>\$ 180,137</u>	<u>\$ (9,007)</u>	<u>\$ -</u>	<u>\$ 171,130</u>

Depreciation expense was charged to programs of the Township as follows:

General Government	\$ 3,656
Public Works	<u>6,286</u>
	<u>\$ 9,942</u>

Long-Term Debt

The Township is indebted to the Huron County Drain Commission for drainage system improvements which are financed over a number of years. These obligations are summarized as follows:

	<u>Annual Principal Payment</u>	<u>Term</u>	<u>Total Due</u>
Allen Drain	\$ 5,434	2008-2011	\$ 21,735
Boltzer Drain	1,035	2008-2011	4,141
Cook Drain	4,200	2008-2017	37,800
Grifka Drain	750	2008	750
Willow Creek Drain	148	2008-2020	<u>1,778</u>
Total			<u>\$ 66,204</u>

The above obligations are due annually plus interest at rates ranging from 3.87% to 6.00%.

Drain obligations payable, March 31, 2007	\$ 77,770
New obligations	-
Payments	<u>(11,566)</u>
Drain obligations payable, March 31, 2008	<u>\$ 66,204</u>
Amounts due in one year	<u>\$ 11,567</u>

These obligations mature over the following periods as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 11,567	\$ 3,467	\$ 15,034
2010	10,818	2,839	13,657
2011	10,816	2,251	13,067
2012 to 2016	28,210	4,689	32,899
2017 to 2020	<u>4,793</u>	<u>263</u>	<u>5,056</u>
	<u>\$ 66,204</u>	<u>\$ 13,509</u>	<u>\$ 79,713</u>

NOTE 5. RESERVED FUND BALANCE

Included in the General Fund are revenues of \$76,757, representing a voted property tax levy restricted by use for road expenditures. There were no expenditures recorded against this millage during the fiscal year ended March 31, 2008. As of March 31, 2008, the cumulative unexpended balance restricted by use for future road expenditures is \$93,878.

NOTE 6. PENSION PLAN

The Township contributes to a defined contribution pension plan which is administered by Municipal Retirement Systems, Inc. The plan was established for the benefit of the Township's employees who have reached the age of eighteen years. The plan provides for immediate vesting. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. Contributions are to purchase annuities for the benefit of retired employees.

The Township contributes to the plan based on annual compensation. During the fiscal year ended March 31, 2008, the Township incurred pension costs of \$2,760. Total wages paid during the year ended March 31, 2008 to employees covered by the plan were approximately \$22,000.

NOTE 7. RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation). The Township purchases commercial insurance to cover the risks of these losses. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF PARIS
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2008**

	Original Budget	Final Budget	Actual GAAP Basis	Adjustments to Budget Basis	Actual Budget Basis	Variance Favorable (Unfavorable)
Revenues:						
Taxes:						
Tax levy	\$ 97,000	\$ 97,000	\$ 105,557	\$ 7,352	\$ 112,909	\$ 15,909
Administration fees	-	-	7,750	(7,750)	-	-
Delinquent	6,000	6,000	-	3,741	3,741	(2,259)
Total taxes	103,000	103,000	113,307	3,343	116,650	13,650
Licenses and permits:						
Building permits	250	250	285	-	285	35
State Revenues:						
Revenue sharing	38,000	38,000	40,687	237	40,924	2,924
Charges for Services:						
Fire runs	4,000	4,000	4,875	-	4,875	875
Interest	8,400	8,400	8,775	-	8,775	375
Other revenues:						
Miscellaneous	8,000	8,000	300	-	300	(7,700)
Liquor license	400	400	400	-	400	-
Total other revenues	8,400	8,400	700	-	700	(7,700)
Total revenues	<u>\$ 162,050</u>	<u>\$ 162,050</u>	<u>\$ 168,629</u>	<u>\$ 3,580</u>	<u>\$ 172,209</u>	<u>\$ 10,159</u>

TOWNSHIP OF PARIS

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2008**

	Original Budget	Final Budget	Actual GAAP Basis	Adjustments to Budget Basis	Actual Budget Basis	Variance Favorable (Unfavorable)
Expenditures:						
General government:						
Printing and publishing	\$ 500	\$ 500	\$ 349	\$ -	\$ 349	\$ 151
Supervisor's salary	3,770	3,770	3,770	-	3,770	-
Treasurer's salary	6,415	6,415	6,415	-	6,415	-
Clerk's salary	5,015	5,015	5,015	-	5,015	-
Supplies	1,670	2,121	2,121	-	2,121	-
Dues	450	450	446	-	446	4
Education and training	500	500	333	-	333	167
Township hall maintenance	2,400	2,400	1,953	-	1,953	447
Insurance	8,000	8,000	6,294	-	6,294	1,706
Payroll taxes	750	750	724	-	724	26
Trustees' salaries	1,430	1,430	1,430	-	1,430	-
Deputy treasurer's salary	200	200	200	-	200	-
Deputy clerk's salary	1,325	1,325	1,325	-	1,325	-
Board of review salary	700	874	874	-	874	-
Legal and professional	2,000	2,000	25	-	25	1,975
Election	1,200	1,200	411	-	411	789
Library	1,100	1,100	1,098	-	1,098	2
Pension	2,750	2,760	2,760	-	2,760	-
Assessor salary	3,665	3,665	3,665	-	3,665	-
Summer tax expense	1,500	1,500	1,319	-	1,319	181
Total general government	45,340	45,975	40,527	-	40,527	5,448
Public safety:						
Fire protection	9,200	11,900	11,900	-	11,900	-
Street lighting	2,700	2,700	2,662	-	2,662	38
Drain at large	16,000	16,000	15,668	-	15,668	332
Total public safety	27,900	30,600	30,230	-	30,230	370
Public works:						
Road repairs	84,000	84,000	55,303	-	55,303	28,697
Liquor inspector	360	360	-	-	-	360
Zoning board	950	950	510	-	510	440
Total public works	85,310	85,310	55,813	-	55,813	29,497
Health and welfare:						
Ambulance	3,500	3,500	3,342	-	3,342	158
Total expenditures	<u>\$ 162,050</u>	<u>\$ 165,385</u>	<u>\$ 129,912</u>	<u>\$ -</u>	<u>\$ 129,912</u>	<u>\$ 35,473</u>

HYZER, HILL, KUZAK & CO., P.C.

Certified Public Accountants

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Bad Axe, MI 48413-0326

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Donald Kuzak
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Phone: (989) 269-9541 • FAX: (989) 269-6777

June 18, 2008

Township Board
Paris Township
Minden City, MI 48456

In planning and performing our audit of the financial statements of Paris Township (Township) as of and for the year ended March 31, 2008, in accordance with U.S. generally accepted auditing standards. We considered Paris Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the township's internal control. Accordingly, we do not express an opinion on the effectiveness of the township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective is not always met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. We consider the following significant deficiencies to be material weaknesses:

Lack of Township Expertise in Financial Accounting and Reporting

The Township does not have the personnel or procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

Other Matters

We offer the following recommendations, which we do not believe to be significant deficiencies:

Annual Financial Reports

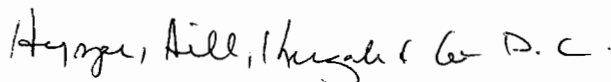
The Township Clerk should prepare an annual financial report showing actual revenues and expenses for the preceding year along with all cash and CD balances. The report should also include a reconciliation of net revenues and cash balances so that cash and CDs at the beginning of a fiscal year plus net revenues equal cash and CDs at the end of the fiscal year.

Investment Policy

The Township should update its investment policy which identifies the types of investments that the Treasurer may make. We have attached a copy of the Michigan Department of Treasury's sample policy.

This report is intended solely for the information and use of the Township Board, management and others within the township and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Hyzer, Hill, Kuzak & Co. P.C.".

Hyzer, Hill, Kuzak & Co., P.C.

PARIS TOWNSHIP INVESTMENT POLICY

In accordance with Public Act 20 of the Public Acts of 1943, as amended, the surplus funds of the Township shall be invested as follows:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is eligible to be a depository of funds belonging to the state under a law or rule of this state of the United States.
- c. Mutual funds registered under the investment company act of 1940, maintain a \$1.00 per share net asset value, and with authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

All funds shall be invested in accordance with the objectives as set forth in the following order of importance:

- 1. Safety of capital
- 2. Liquidity, and
- 3. Return on Investment.